FAMILY & CHILDREN FIRST, INC.
(d/b/a Family & Children's Place, Inc.)

FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

Table of Contents

	Page
Independent Auditors' Report	1 and 2
Financial Statements	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5
Statements of cash flows	6
Notes to financial statements	7-28

Independent Auditors' Report

To the Board of Directors
Family & Children First, Inc.
(d/b/a Family & Children's Place, Inc.)
Louisville, Kentucky

We have audited the accompanying financial statements of Family & Children First, Inc. (d/b/a Family & Children's Place, Inc.) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

9300 Shelbyville Road • Suite 1100 • Louisville, Kentucky 40222
Telephone 502.426.9660 • Fax 502.425.0883 • www.DMLO.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family & Children First, Inc. (d/b/a Family & Children's Place, Inc.) as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deming, Malone, Livesay & Ostroff

Louisville, Kentucky
October 9, 2017

FAMILY & CHILDREN FIRST, INC.
(d/b/a Family & Children's Place, Inc.)

STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

Assets	2017	2016
Current Assets		
Cash and cash equivalents	$ 28,000	$ 56,080
Cash - shared services	278,526	
Cash - unemployment reserve	62,592	53,015
Cash - capital campaign	271,789	384,910
Investments	1,528,599	1,522,601
Metro United Way receivable	1,028,789	1,230,237
Accounts receivable, less allowance for doubtful accounts of $14,700 in 2017 and $5,000 in 2016	771,113	735,674
Contributions receivable, less allowance for uncollectible promises to give of $49,200 in 2017 and $95,800 in 2016	382,220	471,820
Prepaid expenses and other assets	85,778	59,904
Total current assets	4,437,406	4,514,241
Property and Equipment		
Land	952,646	952,646
Buildings and improvements	8,018,066	8,018,066
Leasehold improvements	34,699	29,790
Furniture and equipment	1,269,604	1,365,918
	10,275,015	10,366,420
Less accumulated depreciation	2,205,239	2,010,065
	8,069,776	8,356,355
Other Assets		
Contributions receivable	847,826	962,460
Beneficial interest in assets held by The Community Foundation of Louisville	21,414	17,669
Cash value of life insurance	47,042	46,047
	916,282	1,026,176
Total assets	$ 13,423,464	$ 13,896,772

See Notes to Financial Statements.

Liabilities and Net Assets	2017	2016
Current Liabilities		
Line of credit	$ 520,782	$ 333,491
Current maturities of note payable	211,596	206,306
Current maturities of capital lease obligations	430	4,925
Accounts payable	28,318	42,121
Accrued expenses and other current liabilities	553,183	262,650
Total current liabilities	1,314,309	849,493
Long-Term Liabilities		
Note payable, less current maturities	2,803,052	3,005,506
Capital lease obligations, less current maturities		430
Accrued pension cost	3,217,861	4,279,151
	6,020,913	7,285,087
Total liabilities	7,335,222	8,134,580
Net Assets		
Unrestricted	3,541,298	2,978,703
Temporarily restricted	1,281,276	1,542,691
Permanently restricted	1,265,668	1,240,798
	6,088,242	5,762,192
Total liabilities and net assets	$ 13,423,464	$ 13,896,772

FAMILY & CHILDREN FIRST, INC.
(d/b/a Family & Children's Place, Inc.)

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2017 and 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Service revenues and other contracts	$ 2,304,096			$ 2,304,096
Federal financial assistance	1,439,163			1,439,163
Metro United Way		$ 1,028,789		1,028,789
Contributions and grants	741,343	433,920	$ 995	1,176,258
Special events	28,017			28,017
Rental and other income	158,844			158,844
Investment income	9,390	28,615		38,005
Net realized and unrealized gains (losses) on investments	25,320	89,718	20,130	135,168
Increase (decrease) in beneficial interest			3,745	3,745
	4,706,173	1,581,042	24,870	6,312,085
Net assets released from restrictions:				
Metro United Way	1,230,237	(1,230,237)		
Satisfaction of program restrictions	612,220	(612,220)		
Total net assets released from restrictions	1,842,457	(1,842,457)		
Total revenues and other support	6,548,630	(261,415)	24,870	6,312,085
Expenses				
Program services:				
Child and family services	1,824,695			1,824,695
Kosair Charities Child Advocacy Center	916,346			916,346
HANDS	1,604,788			1,604,788
Family and school service	342,330			342,330
PAL program	168,351			168,351
Family stabilization	909,401			909,401
Shared services	264,000			264,000
Total program services	6,029,911			6,029,911
Supporting services:				
Management and general	611,985			611,985
Fund-raising	589,569			589,569
Total expenses	7,231,465			7,231,465
(Decrease) increase in total net assets before pension related changes other than net periodic benefit cost	(682,835)	(261,415)	24,870	(919,380)
Pension related changes other than net periodic benefit cost	1,245,430			1,245,430
Increase (decrease) in total net assets	562,595	(261,415)	24,870	326,050
Net assets, beginning of year	2,978,703	1,542,691	1,240,798	5,762,192
Net assets, end of year	$ 3,541,298	$ 1,281,276	$ 1,265,668	$ 6,088,242

See Notes to Financial Statements.

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	$ 2,389,903			$ 2,389,903
	1,184,731			1,184,731
		$ 1,230,237		1,230,237
	828,750	259,743	$ 1,049	1,089,542
	36,091			36,091
	131,664			131,664
	16,958	46,310		63,268
	(11,504)	(27,218)	(6,626)	(45,348)
			(1,475)	(1,475)
	4,576,593	1,509,072	(7,052)	6,078,613
	1,255,376	(1,255,376)		
	242,649	(242,649)		
	1,498,025	(1,498,025)		
	6,074,618	11,047	(7,052)	6,078,613
	1,802,347			1,802,347
	830,000			830,000
	1,576,085			1,576,085
	285,844			285,844
	139,362			139,362
	849,857			849,857
	5,483,495			5,483,495
	581,970			581,970
	567,523			567,523
	6,632,988			6,632,988
	(558,370)	11,047	(7,052)	(554,375)
	(681,427)			(681,427)
	(1,239,797)	11,047	(7,052)	(1,235,802)
	4,218,500	1,531,644	1,247,850	6,997,994
	$ 2,978,703	$ 1,542,691	$ 1,240,798	$ 5,762,192

FAMILY & CHILDREN FIRST, INC.
(d/b/a Family & Children's Place, Inc.)

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2017 and 2016

	2017										
	Program Services								Supporting Services		
	Child and Family Services	Kosair Charities Child Advocacy Center	HANDS	Family and School Service	PAL Program	Family Stabilization	Shared Services	Total Program Services	Management and General	Fund-raising	Total Expenses
Salaries and Employee Benefits											
Salaries	$ 1,078,820	$ 492,564	$ 1,034,451	$ 199,924	$ 88,824	$ 537,022		$ 3,431,605	$ 269,944	$ 282,836	$ 3,984,385
Health insurance	97,452	41,528	83,158	16,581	5,651	51,088		295,458	13,048	22,223	330,729
Retirement	139,954	51,488	96,235	15,349	1,998	46,954		351,978	26,875	13,011	391,864
Disability, group life, workers comp, unemployment	20,209	5,083	12,551	2,129	1,127	7,008		48,107	2,173	3,905	54,185
Payroll taxes	78,891	35,938	76,331	14,561	6,642	39,202		251,565	19,845	20,616	292,026
Total salaries and employee benefits	1,415,326	626,601	1,302,726	248,544	104,242	681,274		4,378,713	331,885	342,591	5,053,189
Professional fees	91,116	72,189	82,849	4,939	8,874	13,995		273,962	55,571	6,650	336,183
Office supplies, copy and computer expenses	11,295	9,007	15,073	2,721	1,238	7,177		46,511	10,518	3,026	60,055
Telecommunications	33,208	7,034	23,878	3,930	1,296	10,321		79,667	7,035	5,187	91,889
Postage	1,384	577	1,688	603	362	936		5,550	2,543	2,814	10,907
Occupancy expense	131,199	53,740	20,661	6,106	3,516	13,967		229,189	32,721	6,414	268,324
Outside printing	1,607	1,958	1,931	918	444	1,200		8,058	2,237	5,918	16,213
Local travel	14,201	6,147	54,565	960	234	15,362		91,469	3,149	2,412	97,030
Conferences and staff development	8,009	10,703	8,942	20,708	912	6,143		55,417	1,284	3,661	60,362
Memberships and dues	3,540	4,634	3,223	1,516	1,500	4,032		18,445	5,975	3,074	27,494
Public relations	2,123	2,123	2,123	2,123	1,061	2,123		11,676	6,014		17,690
Special events, including cost of direct benefit to donors of $14,266										36,912	36,912
Other expenses	20,132	11,383	29,334	34,192	36,145	120,563	$ 264,000	515,749	36,759	153,915	706,423
Interest expense	639	28,022	6,886	2,459	1,476	3,443		42,925	63,511	2,459	108,895
Depreciation and amortization	90,916	82,228	50,909	12,611	7,051	28,865		272,580	52,783	14,536	339,899
Total expenses	$ 1,824,695	$ 916,346	$ 1,604,788	$ 342,330	$ 168,351	$ 909,401	$ 264,000	$ 6,029,911	$ 611,985	$ 589,569	$ 7,231,465

	2016									
	Program Services							Supporting Services		
	Child and Family Services	Kosair Charities Child Advocacy Center	HANDS	Family and School Service	PAL Program	Family Stabilization	Total Program Services	Management and General	Fund-raising	Total Expenses
Salaries and Employee Benefits										
Salaries	$ 1,081,532	$ 434,409	$ 1,033,584	$ 181,078	$ 76,547	$ 513,853	$ 3,321,003	$ 255,894	$ 316,288	$ 3,893,185
Health insurance	90,595	35,225	64,224	15,626	4,811	44,351	254,832	12,197	23,479	290,508
Retirement	110,385	39,763	72,682	12,010	989	35,384	271,213	19,628	8,904	299,745
Disability, group life, workers comp, unemployment	23,387	7,002	18,223	3,135	1,511	9,376	62,634	3,342	5,856	71,832
Payroll taxes	78,811	31,915	75,106	13,412	5,604	37,299	242,147	18,739	22,645	283,531
Total salaries and employee benefits	1,384,710	548,314	1,263,819	225,261	89,462	640,263	4,151,829	309,800	377,172	4,838,801
Professional fees	87,455	65,058	84,332	4,185	7,984	54,214	303,228	42,130	4,892	350,250
Office supplies, copy and computer expenses	14,558	9,837	13,347	2,648	894	7,036	48,320	9,837	10,275	68,432
Telecommunications	28,998	7,875	19,855	3,690	1,176	8,540	70,134	7,057	4,970	82,161
Postage	627	499	2,460	754	452	1,122	5,914	2,739	4,258	12,911
Occupancy expense	131,386	50,689	15,456	5,810	4,271	13,741	221,353	32,903	7,154	261,410
Outside printing	1,290	2,694	1,458	580	278	879	7,179	2,731	2,478	12,388
Local travel	20,118	5,703	59,475	422	459	14,938	101,115	3,358	3,164	107,637
Conferences and staff development	9,966	7,158	12,901	2,692	1,778	3,470	37,965	3,120	6,223	47,308
Memberships and dues	4,842	3,311	6,579	505	215	3,416	18,868	4,460	3,579	26,907
Public relations	2,438	2,438	2,438	2,438	1,219	2,438	13,409	6,907	662	20,978
Special events, including cost of direct benefit to donors of $16,585									42,026	42,026
Other expenses	26,823	13,818	34,732	21,002	22,418	69,669	188,462	46,713	84,987	320,162
Interest expense	1,208	29,921	8,403	2,626	1,576	3,676	47,410	58,046	2,626	108,082
Depreciation and amortization	87,928	82,685	50,830	13,231	7,180	26,455	268,309	52,169	13,057	333,535
Total expenses	$ 1,802,347	$ 830,000	$ 1,576,085	$ 285,844	$ 139,362	$ 849,857	$ 5,483,495	$ 581,970	$ 567,523	$ 6,632,988

See Notes to Financial Statements.

FAMILY & CHILDREN FIRST, INC.
(d/b/a Family & Children's Place, Inc.)

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Cash received for services	$ 2,277,217	$ 2,381,653
Federal financial assistance received	1,430,603	1,095,891
Cash received from Metro United Way	1,230,237	1,255,376
Contributions and grants received	1,225,109	1,388,194
Rental and other income received	158,844	131,664
Investment income received	38,005	63,268
Cash paid to suppliers and employees	(6,338,086)	(6,019,909)
Interest paid	(101,925)	(98,994)
Net cash (used in) provided by operating activities	(79,996)	197,143
Cash Flows from Investing Activities		
Proceeds from sale of investments	663,611	672,223
Purchases of investments	(534,441)	(553,623)
Purchases of property and equipment	(53,320)	(61,999)
Net cash provided by investing activities	75,850	56,601
Cash Flows from Financing Activities		
Principal payments on notes payable	(206,300)	(200,917)
Principal payments on capital lease obligations	(4,925)	(4,746)
Net payments on line of credit	187,291	(29,655)
Net cash used in financing activities	(23,934)	(235,318)
Net (decrease) increase in cash and cash equivalents	(28,080)	18,426
Cash and cash equivalents, beginning of year	56,080	37,654
Cash and cash equivalents, end of year	$ 28,000	$ 56,080

See Notes to Financial Statements.

	2017	2016
Reconciliation of Net Increase (Decrease) in Total Net Assets to Net Cash (Used In) Provided By Operating Activities		
Net increase (decrease) in total net assets	$ 326,050	$ (1,235,802)
Adjustments to reconcile net increase (decrease) in total net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	349,035	342,671
Change in allowance for doubtful accounts	9,700	(100)
Change in allowance for uncollectible promises to give	(46,600)	34,300
Change in discount on promises to give	(44,392)	(49,741)
Net realized and unrealized (gains) losses on investments	(135,168)	45,348
(Increase) decrease in beneficial interest	(3,745)	1,475
Increase in cash value of life insurance	(995)	(1,049)
Pension adjustment	(883,266)	981,171
Changes in assets and liabilities:		
(Increase) decrease in:		
Cash - shared services	(278,526)	
Cash - unemployment reserve	(9,577)	727
Cash - capital campaign	113,121	16,814
Metro United Way receivable	201,448	25,139
Accounts receivable	(45,139)	(96,990)
Contributions receivable	295,226	301,589
Prepaid expenses and other assets	(25,874)	(5,681)
Increase (decrease) in:		
Accounts payable	(13,803)	(15,555)
Accrued expenses and other current liabilities	290,533	24,477
Accrued pension cost	(178,024)	(171,650)
Total adjustments	(406,046)	1,432,945
Net cash (used in) provided by operating activities	$ (79,996)	$ 197,143

FAMILY & CHILDREN FIRST, INC.
(d/b/a Family & Children's Place, Inc.)

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of Organization and Summary of Significant Accounting Policies

Description of organization:

Family & Children First, Inc. (d/b/a Family & Children's Place, Inc.) (Organization), a nonprofit organization, provides counseling, education, child welfare services and other support services that strengthen and support family life. Programs consist of Child and Family Services, Kosair Charities Child Advocacy Center, HANDS (Health Access Nurturing Development Services), Family and School Service, PAL Program (Parkhill, Algonquin and Old Louisville), and Family Stabilization Service. Services are provided principally throughout the Metro Louisville area and surrounding counties of Kentucky and Southern Indiana. The Organization is supported primarily through the Metro United Way, fees for services, donor contributions, government grants and contracts and other grants.

Summary of significant accounting policies:

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Net asset classification:

Resources are classified for accounting and reporting purposes into the following three net asset classes according to externally imposed restrictions:

Unrestricted net assets - Unrestricted net assets are not subject to any donor-imposed restrictions. Unrestricted net assets include assets designated by the board for particular purposes.

Temporarily restricted net assets - Temporarily restricted net assets include net assets whose use by the Organization is limited by donor-imposed restrictions that either expire by the passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets - Permanently restricted net assets include net assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Contributions:

Contributions received and unconditional promises to give are measured at their fair values and are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of long-lived assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term investment purposes or received with donor-imposed restrictions limiting their use are not considered cash and cash equivalents for purposes of the statement of cash flows.

NOTES TO FINANCIAL STATEMENTS

Accounts and contributions receivable:

The valuation of accounts and contributions receivable is based upon a detailed analysis of past due accounts and the history of uncollectible accounts. The Organization periodically reviews doubtful accounts and contributions receivable to determine if write-offs are necessary.

Investments:

Investments are recorded at fair value. Donated investments are recorded at their fair value as of the date received. See Note 6 for discussion of fair value measurements.

Property and equipment:

Property and equipment are recorded at cost, if purchased, or at fair value as of the date of donation, if donated. The Organization's policy is to capitalize asset purchases exceeding $500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the lesser of the related lease period or estimated useful life. Amortization of capital leases is included in depreciation expense.

Compensated absences:

Employees of the Organization are entitled to paid leave, including vacation, sick and short-term disability. It is impracticable to estimate the amount of compensation for future sick and short-term disability absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of these compensated absences when actually paid to employees.

Donated services:

Donated services that require specific expertise and would normally have been purchased, and donated services that create or enhance nonfinancial assets are recorded at fair value. Those donated services that do not meet these specific criteria are not reflected in the financial statements.

For each of the years ended June 30, 2017 and 2016, the Organization received donated counseling services of $6,000 within the Child and Family Services program.

NOTES TO FINANCIAL STATEMENTS

Income taxes:

The Organization is exempt from federal, state and local income taxes as a not-for-profit corporation as described under Internal Revenue Code Section 501(c)(3). The Organization files an informational tax return in the U.S. federal jurisdiction. However, income from leasing activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Accordingly, the Organization also files an exempt organization business income tax return.

As of June 30, 2017 and 2016, the Organization did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of a new accounting standard:

During the year ended June 30, 2017, the Organization retroactively adopted accounting standard No. 2015-03, *Interest – Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs*, effective for years beginning after December 31, 2015. The standard requires the debt issuance costs related to a recognized liability be presented as a direct deduction from the carrying amount of that debt liability. Other assets of $39,589, equal to unamortized debt issuance costs at June 30, 2016, have been reclassified to long term debt in the 2017 financial statements.

Newly issued standards not yet effective:

The Financial Accounting Standards Board has issued accounting standards No. 2016-02, *Leases*, effective for years beginning after December 15, 2019; No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*, effective for years beginning after December 15, 2017; and No. 2016-18, *Statement of Cash Flows: Restricted Cash*, effective for years beginning after December 15, 2018. The Organization is evaluating the impact that adoption of these standards will have on future financial position and results of operations.

Subsequent events:

Subsequent events have been evaluated through October 9, 2017, which is the date the financial statements were available to be issued.

Note 2. Contributions Receivable

In 2013, the Organization completed the construction and renovation of the Kosair Charities Child Advocacy Center and the Family Service Center. The approximate cost of the completed project was $7.25 million and was substantially funded by a capital campaign which began in 2009.

Total pledges receivable as of June 30, 2017 and 2016 were as follows:

	2017	2016
Capital campaign	$1,217,339	$1,440,775
Annual campaign	131,981	233,771
Other	30,000	
	1,379,320	1,674,546
Less unamortized discounts	(100,074)	(144,466)
Less allowance for uncollectible promises to give	(49,200)	(95,800)
	$1,230,046	$1,434,280
Amounts due in:		
Less than one year	$ 431,420	$ 567,620
One to five years	947,900	1,106,926
	$1,379,320	$1,674,546

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates of 3.125% - 4.125%.

Of the total gross pledges receivable of $1,379,320 and $1,674,546 as of June 30, 2017 and 2016, respectively, one donor accounts for approximately 80% and 74%, respectively, of the gross receivable.

Capital campaign pledge payments collected are placed in a separate account designated for use in making payments on the related debt incurred to construct and renovate the new facilities. Amounts in this account are reflected in the cash – capital campaign balance on the statement of financial position.

Note 3. Cash – Shared Services

The Organization has joined with four other non-profit organizations to raise funds to establish a partnership to provide centralized support services to the partner organizations. During the year ended June 30, 2017, the Organization recorded $330,000 of grant revenue and $264,000 of grant expenses related to this endeavor. As of June 30, 2017, the Organization had $278,526 in cash restricted for the formation and operation of the partnership.

Subsequent to June 30, 2017, the partnership, Impact V, LLC, was formed as the shared services entity.

Note 4. Cash - Unemployment Reserve

The Organization participates in a self-insured unemployment trust. Quarterly deposits are made to a prepayment account, and unemployment claims are paid from the trust as they arise. As of June 30, 2017 and 2016, the Organization had a prepayment account in the amount of $62,592 and $53,015, respectively, on deposit with the trustee.

Note 5. Investments

Cost and fair value of investments are summarized below:

	June 30, 2017		
	Cost	Fair Value	Unrealized Appreciation
Cash equivalents	$ 29,107	$ 29,107	
Mutual funds	1,374,804	1,499,492	$124,688
	$1,403,911	$1,528,599	$124,688

	June 30, 2016		
	Cost	Fair Value	Unrealized Appreciation
Cash equivalents	$ 36,284	$ 36,284	
Mutual funds	1,445,454	1,486,317	$40,863
	$1,481,738	$1,522,601	$40,863

Investment income reported in the accompanying statements of activities is net of custodial fees and investment advisory fees. Such investment expenses totaled $7,892 and $8,121 for the years ended June 30, 2017 and 2016, respectively.

Note 6. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active or inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization's Level 1 assets have been valued using a market approach. Level 3 assets have been valued using the income approach. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2017 and 2016.

Cash equivalents and mutual funds – valued at the closing price reported in the active market in which the security is traded.

Beneficial interest – valued as determined by the fund manager of the underlying assets held by the community foundation.

NOTES TO FINANCIAL STATEMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of June 30, 2017 and 2016:

	June 30, 2017		
	Level 1	Level 3	Total
Mutual funds:			
Large cap growth	$ 90,623		$ 90,623
Large cap value	89,961		89,961
Mid cap growth	104,828		104,828
Mid cap value	105,489		105,489
Small cap growth	75,636		75,636
Small cap value	76,022		76,022
Small cap ETF	59,286		59,286
Real estate fund	73,659		73,659
Large blend	179,102		179,102
Foreign large blend	119,803		119,803
Bond funds	525,083		525,083
	1,499,492		1,499,492
Cash equivalents	29,107		29,107
Beneficial interest in assets held by The Community Foundation of Louisville		$21,414	21,414
	$1,528,599	$21,414	$1,550,013

	June 30, 2016		
	Level 1	Level 3	Total
Mutual funds:			
Large cap growth	$ 90,413		$ 90,413
Large cap value	91,770		91,770
Mid cap growth	106,962		106,962
Mid cap value	106,409		106,409
Small cap growth	71,653		71,653
Small cap value	73,952		73,952
Small cap ETF	49,129		49,129
Real estate fund	79,725		79,725
Large blend	234,373		234,373
Foreign large blend	127,264		127,264
Bond funds	454,667		454,667
	1,486,317		1,486,317
Cash equivalents	36,284		36,284
Beneficial interest in assets held by The Community Foundation of Louisville		$17,669	17,669
	$1,522,601	$17,669	$1,540,270

The following table sets forth a summary of the changes in the fair value of the Organization's Level 3 assets for the years ended June 30, 2017 and 2016:

	2017	2016
Balance, beginning of year	$17,669	$19,144
Change in beneficial interest	3,745	(1,475)
Balance, end of year	$21,414	$17,669

Note 7. Endowment Funds

The Organization's endowment funds consist of investments held in various brokerage accounts and beneficial interest in assets held by others. The investments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. The Organization's Board of Directors does not have input or authority over the nature and type of investments held by others. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment net asset composition by type of fund as of June 30, 2017 and 2016 is as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$17,827	$1,197,212	$1,215,039
Donor-restricted endowment funds (beneficial interest in assets held)			21,414	21,414
Board-designated endowment funds	$313,560			313,560
	$313,560	$17,827	$1,218,626	$1,550,013

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$9,997	$1,177,082	$1,187,079
Donor-restricted endowment funds (beneficial interest in assets held)			17,669	17,669
Board-designated endowment funds	$335,522			335,522
	$335,522	$9,997	$1,194,751	$1,540,270

Changes in endowment net assets for the years ended June 30, 2017 and 2016 are as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 335,522	$ 9,997	$1,194,751	$1,540,270
Contributions	15,144			15,144
Transfers - operations/capital	(179,904)			(179,904)
Reclassifications	110,503	(110,503)		
Investment return:				
Investment income	6,975	28,615		35,590
Net appreciation	25,320	89,718	23,875	138,913
Endowment net assets, end of year	$ 313,560	$ 17,827	$1,218,626	$1,550,013

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 489,029	$ 13,812	$1,202,852	$1,705,693
Transfers - operations/capital	(179,358)			(179,358)
Reclassifications	22,907	(22,907)		
Investment return:				
Investment income	14,448	46,310		60,758
Net depreciation	(11,504)	(27,218)	(8,101)	(46,823)
Endowment net assets, end of year	$ 335,522	$ 9,997	$1,194,751	$1,540,270

NOTES TO FINANCIAL STATEMENTS

Interpretation of relevant law:

The Organization has interpreted the Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Board of Directors has the responsibility for development of the investment objectives and guidelines, the selection of the investment managers (Managers), and the regular monitoring of the Managers' performance to help assure the effectiveness of the objectives and to initiate modification or changes, as needed.

Under this policy, as approved by the Board of Directors, the endowment assets are managed by investment managers selected by the Board of Directors and are invested in a manner that is intended to provide annual real investment returns (growth and income) sufficient to meet the Organization's needs. The Organization expects its endowment funds, over time, to provide total return, net of fees, that meets or exceeds a combined index of 60% S&P 500 index and 40% Barclays Capital Aggregate index.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization has established and monitors a diversified asset allocation, including a target equity position, fixed income position, and cash equivalents exposure.

Spending policy and how the investment objectives relate to spending policy:

It is the Organization's policy to transfer a minimum of 5% of the fair value, as determined on March 31 each year, to be used for general operations. From time to time, additional distributions may be required for special projects. At no time shall withdrawals be made if the fair value of the endowment falls below the permanently restricted balance. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow for both growth of income and growth of endowment principal. This is consistent with the Organization's objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Return objectives, risk parameters and strategies:

The Organization has adopted investment and spending policies for its endowment assets (including restricted, unrestricted and board designated assets) that are intended to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Total endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period in addition to funds for donor-specified purposes and board-designated funds.

Note 8. Beneficial Interest in Assets Held by The Community Foundation of Louisville

In 1986, the Organization made an irrevocable transfer of $10,000 to an endowment fund maintained by The Community Foundation of Louisville (Foundation). The Organization is an income beneficiary, receiving a distributable amount calculated in accordance with the Foundation's spending policy.

As of June 30, 2017 and 2016, the Organization's interest in the fund was $21,414 and $17,669, respectively, and is recorded as a beneficial interest in assets held by The Community Foundation of Louisville.

Note 9. Cash Value of Life Insurance

The Organization is the owner and beneficiary of four donated life insurance policies. The proceeds of the policies are restricted by the donors and are to be placed in the Organization's Endowment Fund. Funds are contributed by the donors annually to pay certain policy premiums. Increases in cash value of the policies are recorded as increases in permanently restricted assets. Income recorded for the years ended June 30, 2017 and 2016 was $995 and $1,049, respectively, due to the increase in cash value.

Note 10. Line of Credit

The Organization has a $750,000 secured line of credit with Stock Yards Bank & Trust Company that matures on November 30, 2017. The line bears interest at the prime rate, less 0.125%, which was 4.125% at June 30, 2017. The outstanding balance on the line of credit at June 30, 2017 and 2016 was $520,782 and $333,491, respectively. The line is secured by all receivables, equipment and general intangibles of the Organization, a third mortgage lien on certain land and buildings, as well as a negative pledge restriction on the investment account balance maintained at PNC Bank.

Note 11. Long-Term Debt

The note payable consisted of the following as of June 30, 2017 and 2016:

	2017	2016
Note payable to Stock Yards Bank, stated interest rate of 2.5%, payable in monthly principal and interest payments through October 2020 at which time the unpaid principal balance is due. The note is secured by a first mortgage lien on certain land and buildings with a net book value of $6,233,108 at June 30, 2017 and assignment of certain rents.	$3,045,101	$3,251,401
Less unamortized debt issuance costs	(30,453)	(39,589)
Less current maturities	(211,596)	(206,306)
	$2,803,052	$3,005,506

NOTES TO FINANCIAL STATEMENTS

Future principal maturities on the note payable as of June 30, 2017 are as follows:

Year ending June 30, 2018	$ 211,596
2019	217,022
2020	222,415
2021	2,394,068
	$3,045,101

Debt issuance costs are amortized by the effective interest method over the term of the loan. Amortization is included in interest expense.

Total interest expense, inclusive of the line of credit, note payable, and amortization of debt issuance costs, for the years ending June 30, 2017 and 2016 was $108,895 and $108,082, respectively.

Note 12. Pension Plan

The Organization has a defined benefit pension plan which covers substantially all of its employees. The Organization's policy is to fund the plan within Internal Revenue Service guidelines. Effective August 27, 2008, the Organization elected to freeze the plan to future entrants. Also, effective December 31, 2008, the Organization amended the plan to freeze all future accruals.

The following sets forth the plan's funded status and amounts recognized in the financial statements as of and for the years ended June 30, 2017 and 2016:

	2017	2016
Change in Benefit Obligation		
Benefit obligation at beginning of year	$ 8,627,966	$ 8,105,687
Service cost	75,000	65,000
Interest cost	296,835	338,306
Actuarial (gain) loss	(681,946)	445,525
Benefits paid	(293,714)	(326,552)
Benefit obligation at end of year	8,024,141	8,627,966
Change in Plan Assets		
Fair value of plan assets at beginning of year	4,348,815	4,636,057
Actual return on plan assets	573,155	(132,340)
Employer contributions	178,024	171,650
Benefits paid	(293,714)	(326,552)
Fair value of plan assets at end of year	4,806,280	4,348,815
Funded status at end of year	$(3,217,861)	$(4,279,151)
Accrued pension cost recognized in the statement of financial position	$(3,217,861)	$(4,279,151)
Accumulated benefit obligation	$ 8,024,141	$ 8,627,966
Amounts Recognized in Change in Unrestricted Net Assets Separate From Expenses But Not Yet Included in Net Periodic Benefit Cost		
Net loss	$ 2,567,612	$ 3,813,042

Components of Net Periodic Benefit Cost and Other Amounts Recognized in Change in Net Assets

Net Periodic Benefit Cost		
Service cost	$ 75,000	$ 65,000
Interest cost	296,835	338,306
Expected return on plan assets	(368,145)	(386,272)
Amortization of net actuarial loss	358,474	282,710
Net periodic benefit cost	$ 362,164	$ 299,744
Other Changes in Plan Assets and Benefit Obligation Recognized in Change in Net Assets		
Net loss	$ (886,956)	$ 964,137
Amortization of net actuarial (gain) loss	(358,474)	(282,710)
Total recognized in change in net assets	$(1,245,430)	$ 681,427

The net loss for the defined benefit pension plan that will be amortized from change in net assets into net periodic benefit cost over the next fiscal year is $229,545.

Assumptions

The Organization uses a June 30 measurement date for the plan.

	2017	2016
Weighted average assumptions used to determine benefit obligations as of June 30:		
Discount rate	3.75%	3.50%
Weighted average assumptions used to determine net periodic benefit cost for years ended June 30:		
Discount rate	3.50%	4.25%
Expected return on assets	8.50%	8.50%

The basis of the long-term rate of return assumption reflects the Plan's current asset mix of approximately 30% debt securities and 70% equity securities.

It is assumed that the Plan's investment portfolio will be adjusted periodically to maintain the current ratios of debt securities and equity securities. Additional consideration is given to the Plan's historical returns as well as future long range projections of investment returns for each asset category.

Plan Assets

The fair values of the plan's assets at June 30, 2017 and 2016, by asset category, are as follows:

	2017		
	Level 1	Level 2	Total
Cash and cash equivalents	$ 222,954		$ 222,954
Common stocks:			
Basic materials	178,627		178,627
Industrial goods	159,625		159,625
Consumer goods	159,463		159,463
Services	397,153		397,153
Healthcare	316,521		316,521
Financials	390,661		390,661
Technology	504,462		504,462
	2,106,512		2,106,512
Corporate bonds		$1,161,591	1,161,591
Equity mutual funds:			
Small-cap	253,656		253,656
Large-cap	944,640		944,640
Diversified Emerging Markets	116,927		116,927
	1,315,223		1,315,223
	$3,644,689	$1,161,591	$4,806,280

NOTES TO FINANCIAL STATEMENTS

	2016		
	Level 1	Level 2	Total
Cash and cash equivalents	$ 243,157		$ 243,157
Common stocks:			
Basic materials	120,139		120,139
Industrial goods	102,323		102,323
Consumer goods	187,831		187,831
Services	292,311		292,311
Healthcare	275,792		275,792
Financials	249,988		249,988
Technology	318,355		318,355
	1,546,739		1,546,739
Corporate bonds		$1,061,667	1,061,667
Equity mutual funds:			
Small-cap	206,964		206,964
Large-cap	1,290,288		1,290,288
	1,497,252		1,497,252
	$3,287,148	$1,061,667	$4,348,815

The investment objective is to ensure, over the long-term life of the plan, that an adequate level of assets is available to support the benefit obligations to participants and retirees. The Organization seeks to achieve a high level of investment return consistent with a prudent level of portfolio risk.

Cash Flows

The Organization expects to contribute $230,500 to the Plan during the year ended June 30, 2018. However, the Organization reserves the right to contribute more to the Plan depending on legal requirements, current economic conditions, cash flow considerations, or other internal issues. No plan assets are expected to be returned to the Organization during the year ended June 30, 2018.

The benefits expected to be paid in each of the next five years and the aggregate amount of benefits expected to be paid in the subsequent five years are as follows:

Fiscal Year Ending:	Expected Benefits
2018	$ 327,041
2019	351,590
2020	372,312
2021	403,858
2022	412,170
2023 - 2027	2,170,300

Note 13. Retirement Plan

The Organization has a 403(b) retirement plan which covers all employees who have met the eligibility requirements. The Organization contributed 1% of gross salary for all eligible employees effective August 1, 2016. Total contributions made by the Organization to the plan were $29,700 for the year ended June 30, 2017.

Note 14. Changes in Temporarily and Permanently Restricted Net Assets

Changes in temporarily restricted net assets for the years ended June 30, 2017 and 2016 were as follows:

	Balance 6/30/16	Donations/ Grants	Investment Income	Released from Restrictions	Balance 6/30/17
Metro United Way	$1,230,237	$1,028,789		$(1,230,237)	$1,028,789
Pledges receivable	233,179	97,120		(172,952)	157,347
Other programs	1,660	331,800		(266,628)	66,832
Training and scholarship			$ 51,655	(51,655)	
Family centered services	33,167	5,000	30,326	(45,666)	22,827
Child abuse services	31,750		7,369	(39,119)	
Professional services for families with ill/disabled children			5,824	(5,824)	
Property maintenance			583	(583)	
Non-operating expenses	12,698		22,576	(29,793)	5,481
	$1,542,691	$1,462,709	$118,333	$(1,842,457)	$1,281,276

	Balance 6/30/15	Donations/ Grants	Investment Income	Released from Restrictions	Balance 6/30/16
Metro United Way	$1,255,376	$1,230,237		$(1,255,376)	$1,230,237
Pledges receivable	47,529	230,163		(44,513)	233,179
Other programs	20,252	1,410		(20,002)	1,660
Training and scholarship			$ 4,610	(4,610)	
Family centered services	21,740	23,170	2,746	(14,489)	33,167
Child abuse services	131,751		658	(100,659)	31,750
Professional services for families with ill/disabled children			9,011	(9,011)	
Property maintenance			52	(52)	
Non-operating expenses	54,996	5,000	2,015	(49,313)	12,698
	$1,531,644	$1,489,980	$19,092	$(1,498,025)	$1,542,691

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is temporarily restricted for the endowment purpose.

	Balance 6/30/16	Donations	Realized/ Unrealized Gain	Increase in Beneficial Interest	Balance 6/30/17
Training and scholarship	$ 442,847				$ 442,847
Family centered services	250,000				250,000
Child abuse services	63,178				63,178
Professional services for families with ill/disabled children	222,509		$20,130		242,639
Property maintenance	5,000				5,000
Non-operating expenses	239,595	$995			240,590
Beneficial interest in assets held by The Community Foundation of Louisville	17,669			$3,745	21,414
	$1,240,798	$995	$20,130	$3,745	$1,265,668

	Balance 6/30/15	Donations	Realized/ Unrealized Loss	Decrease in Beneficial Interest	Balance 6/30/16
Training and scholarship	$ 442,847				$ 442,847
Family centered services	250,000				250,000
Child abuse services	63,178				63,178
Professional services for families with ill/disabled children	229,135		$(6,626)		222,509
Property maintenance	5,000				5,000
Non-operating expenses	238,546	$1,049			239,595
Beneficial interest in assets held by The Community Foundation of Louisville	19,144			$(1,475)	17,669
	$1,247,850	$1,049	$(6,626)	$(1,475)	$1,240,798

Note 15. Operating Leases

The Organization leases office space under operating leases expiring through 2018. Future minimum rental commitments under the leases at June 30, 2017 are as follows:

Year ending June 30, 2018	$13,369

Total rental expense was $79,173 and $78,123 for the years ended June 30, 2017 and 2016, respectively.

Note 16. Rental Income

The Organization currently leases office space and the use of a billboard located on its property to unrelated third parties. The leases are accounted for under the operating method. Rental income recognized for the years ended June 30, 2017 and 2016 was $140,900 and $110,164, respectively.

Note 17. Concentration of Credit Risk

The Organization maintains its cash accounts at various financial institutions. The total balance of accounts at each institution is insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2017, the Organization's uninsured cash balance totaled approximately $361,600.

The Organization has significant investments in mutual funds held by an investment manager engaged by the Organization and is, therefore, subject to concentrations of credit risk. Investments are made by the investment manager and the investments are monitored by the Board of Directors. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

Note 18. Contingent Liability

During the year ended June 30, 2011, the Organization received a $250,000 grant from the Louisville/Jefferson County Metro Government Department of Community Services and Revitalization (Metro Government) for the purpose of acquiring certain real property and to construct on the property a child advocacy center and a family services center. During the year ended June 30, 2012, the grant was amended to require the Organization to execute a promissory note in the sum of $250,000 and a mortgage on the property to secure the promissory note. The promissory note bears no interest and is payable in full only upon the occurrence of the following events: 1) failure by the Organization to complete and place in operation its Family Services Center by September 1, 2013; 2) sale, refinance or transfer of the property before September 1, 2018 without prior written consent; 3) material breach on the terms of the grant agreement; 4) default of the Organization on any other mortgages against the property; or 5) bankruptcy of the Organization. Upon compliance with the note provisions, the promissory note will be forgiven in full on September 1, 2018. It is the Organization's intent to comply with all grant provisions and therefore, no liability has been recorded on the financial statements.